

**Notes to**  
**Basic Financial Statements**

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 1    Summary of Significant Accounting Policies**

The financial statements of the City of Imperial (City) have been prepared in conformity with accounting principles generally accepted in the United States of America (USGAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the government's accounting policies are described below.

**a.    Reporting Entity**

The City of Imperial is a political subdivision provided for by the General Law of the State of California and, as such, can exercise the powers specified by the Constitution and laws of the State of California. The City was incorporated in 1904 as a general law city. The City operates under a council-manager form of government.

The City of Imperial is a municipal corporation governed by an elected five-member City Council who, in turn, elects one of its members to serve as the Mayor. As required by accounting principles generally accepted in the United States of America, these financial statements present the government and its component units, entities for which the government is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units are combined with data of the City. The blended component units have a June 30 fiscal year end to coincide with the City's.

**Blended Component Units.** The Redevelopment Agency of the City of Imperial (Agency) project area is bounded in its entirety within the city limits. The Agency is governed by a Board which is comprised of the City Council, and the City Manager serves as the Executive Director of the Agency. Debt is authorized by the Board and is repaid through tax increment financing; bonded debt is not a liability of the City of Imperial. The financial activity of the Agency is reported in the Special Revenue, Debt Service, and Capital Projects Funds. In addition, because of legal requirements, the Agency has issued an annual financial report under separate cover. A copy of that report may be obtained from:

City of Imperial  
Administrative Services Director  
420 South Imperial Avenue  
Imperial, California 92251

In addition, in May 1994, the Imperial Financing Authority (Authority) was formed in order to provide a funding vehicle for necessary street improvements within the City. The governing board of the Imperial Financing Authority is the City Council, and the City Manager acts as Executive Director. A separate financial report is not being issued for the Imperial Financing Authority. The activity of the Authority is reported in the General Debt Service Fund of the City.

The Imperial Community Facilities District (District) was formed in order to provide funding for necessary community development projects within the City. The City currently has six separate Districts: 2004-1 Victoria, 2004-2 Mayfield, 2004-3 Bratton, 2005-1 Springfield, 2006-Monterrey Park, 2006-2 Savannah Ranch.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1    Summary of Significant Accounting Policies (Continued)**

**b.    Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

**c.    Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the fiscal year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

In the fund financial statements, fiduciary funds are presented using the accrual basis of accounting. The fiduciary funds do not have a measurement focus.

Governmental funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when the liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

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**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1    Summary of Significant Accounting Policies (Continued)**

**c.    Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in other funds.

The Imperial Redevelopment Housing Special Revenue Fund – This fund accounts for property taxes collected by the Agency.

The Imperial Redevelopment Agency Capital Projects Fund – This fund accounts for the financing, construction, and administrative activities of the Agency.

The Imperial Redevelopment Agency Debt Service Fund – This fund accounts for all of debt service repayment activities of the Agency.

The City reports the following major proprietary funds:

The Water Enterprise Fund – This fund accounts for the operation and maintenance of the City's water distribution system.

The Wastewater Enterprise Fund – This fund accounts for the operation and maintenance of the City's wastewater collection system including operating costs of the wastewater treatment facility.

Additionally, the City reports the following fund types:

Fiduciary Funds are used to report resources held by the City in a purely custodial capacity, which involves only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. These funds are not included in the government-wide financial statements.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board (GASB). For proprietary fund type activities, the City has elected to apply all applicable GASB pronouncements as well as any applicable pronouncements of the Financial Accounting Standards Board (FASB), the Accounting Principles Board (APB), or any Accounting Research Bulletins (ARB) issued on or before November 30, 1989, unless they contradict or conflict with GASB pronouncements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the government's proprietary funds function and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

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**Note 1    Summary of Significant Accounting Policies (Continued)**

**c.    Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

Amounts reported as program revenues include: 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Enterprise Funds are charges to customers for sales and services. Operating expenses for the Enterprises Funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

**d.    Assets, Liabilities, Net Assets or Equity**

**Cash and Investments**

In order to maximize the flexibility of its investment program and to aid in cash budgeting, the City pools the cash of all funds, except for monies deposited with fiscal agents in accordance with related bond indentures. The cash and investments balance in each fund represents that fund's equity share of the City's cash and investment pool. As the City places no restrictions on the deposit or withdrawal of a particular fund's equity in the pool, the pool operates like a demand deposit account for the participating funds.

Interest income earned on pooled cash and investments is allocated monthly to the various funds based on month-end balances and is adjusted at fiscal year-end. Interest income on restricted cash and investments with fiscal agents is credited directly to the related fund.

In accordance with the State of California Government Code, the City adopts an investment policy annually that, among other things, authorizes types and concentrations of investments and maximum investment terms.

The City's investments are carried at fair value. The fair value of equity and debt securities is determined based on sales prices or bid-and-asked quotations from SEC-registered securities exchanges or NASDAQ dealers. LAIF determines the fair value of its portfolio quarterly and reports a factor to the City; the City applies that factor to convert its share of LAIF from amortized cost to fair value. Changes in fair value are allocated to each participating fund.

For purposes of the statement of cash flows, the City has defined cash and cash equivalents to be change and petty cash funds, equity in the City's cash and investment pool, and restricted non-pooled investments with initial maturities of three months or less.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1     Summary of Significant Accounting Policies (Continued)**

**d.    Assets, Liabilities, Net Assets or Equity (Continued)**

**Receivables and Payables**

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund receivables/interfund payables (i.e., the current portion of interfund loans) or advances to/from other funds (the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as interfund receivables or interfund payables. Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as internal balances.

All trade and tax receivables are shown net of an allowance for uncollectible accounts, if applicable, and estimated refunds due.

**Property Taxes**

Property taxes in the State of California are administered for all local agencies at the county level, and consist of secured, unsecured, and utility tax rolls. The following is a summary of major policies and practices relating to property taxes.

The California Community Redevelopment Law provides that assessed valuations of a redevelopment project are, in effect, frozen at the level existing when the redevelopment plan is adopted, and all property taxes produced from this valuation continue to flow to all public agencies levying taxes on property in the project. Taxes produced from any increases in the assessed valuation of a project over the "frozen base" may be allocated to a redevelopment agency to pay or repay costs incurred on behalf of the project. The assessed valuation of a project may be temporarily or permanently reduced below the frozen base as a result of ownership of property by a redevelopment agency pending resale to a developer (temporary), or because of permanent reduction of the assessed valuation will cause a concurrent reduction of the frozen base so that the production of tax increment from new development will not be impaired.

Property tax revenue is recognized in the fiscal year for which the taxes have been levied providing they become available. Available means when due, or past due and receivable within the current period and collected within the current period or expected to be collected soon enough thereafter (not to exceed 60 days) to be used to pay liabilities of the current period. The County of Imperial collects property taxes for the City and Agency. Tax liens attach annually on the first day in January preceding the fiscal year for which the taxes are levied. The tax levy covers the fiscal period July 1<sup>st</sup> to June 30<sup>th</sup>. One-half of the taxes on real property are due on November 1<sup>st</sup>; the second installment is due on March 1<sup>st</sup>. All taxes are delinquent, if unpaid by December 10<sup>th</sup> and April 10<sup>th</sup> respectively. Unsecured personal property taxes become due on July 1<sup>st</sup> of each year and are delinquent, if unpaid by August 31<sup>st</sup>.

**Prepaid Items**

Payments to vendors that reflect costs applicable to future accounting periods are recorded as prepaid items in both government-wide and fund financial statements.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1     Summary of Significant Accounting Policies (Continued)**

**d.    Assets, Liabilities, Net Assets or Equity (Continued)**

**Restricted Assets**

Certain proceeds of the City's long-term debt, as well as certain resources set aside for their repayment, are classified as restricted assets on the balance sheet and statement of net assets because they are maintained in separate bank accounts and their use is limited by applicable bond covenants.

In the absence of specific statutory provisions governing the issuance of bonds, certificates, or leases, these bond monies may be invested in accordance with the ordinance; resolutions and indentures specifying the types of investments its trustees or fiscal agents may make. These ordinances, resolutions, and indentures are generally more restrictive than the City's general investment policy. In no instance have additional types of investments been authorized that are not permitted by the City's general investment policy.

**Capital Assets**

Capital assets, which include property, plant, equipment, fine art, and infrastructure assets (e.g., roads, bridges, sidewalks, traffic lights and signals, street lights, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the capital asset or materially extend capital asset lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. No interest was capitalized during the fiscal year ended June 30, 2009.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Improvements other than buildings	30
Infrastructure	20 to 40
Utility systems	40 to 75
Vehicles	5 to 15
Computer equipment	7
Other equipment and furnishings	7

**CITY OF IMPERIAL**  
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**Note 1     Summary of Significant Accounting Policies (Continued)**

**d.    Assets, Liabilities, Net Assets or Equity (Continued)**

**Compensated Absences**

It is the City's policy to permit employees to accumulate earned but unused vacation and sick leave benefits. All vacation and sick leave benefits are accrued as earned by employees. A portion of unused sick leave benefits, varying by employee bargaining unit, vests and is payable upon retirement. For proprietary funds, a current liability is reported for that portion of the estimated value of vacation and sick leave benefits to be used during the subsequent fiscal year, and the estimated value vacation of vested sick leave benefits of employees approaching or at their respective retirement ages. The balance is considered a long-term obligation.

**Long-Term Obligations**

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Initial-issue bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method (which approximates the effective interest method). The difference between the reacquisition price of refunding bonds and the net carrying amount of refunded debt (deferred amount on refunding) is amortized over the shorter of the life of the refunding debt or remaining life of the refunded debt. Bond issuance costs, including deferred refunding amounts and underwriters' discount, are reported as deferred bond issuance costs. Amortization of bond premiums or discounts, issuance costs, and deferred amounts on refunding is included in interest expense.

In the fund financial statements, governmental fund types recognize bond premiums, discounts, and issuance costs during the period issued. The face amount of debt issued is reported as an other financing source. Premiums received are reported as other financing sources, while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

**Net Assets and Fund Equity**

In the Government-wide financial statements and proprietary fund financial statements, net assets are reported in three categories: net assets invested in capital assets, net of related debt; restricted net assets, and unrestricted net assets. Restricted net assets represent net assets restricted by parties outside of the City (such as creditors, grantors, contributors, laws, and regulations of other governments) and include unspent proceeds of bonds issued to acquire or construct capital assets. The City's other restricted net assets are temporarily restricted (ultimately expendable assets). All other net assets are considered unrestricted.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.



**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1    Summary of Significant Accounting Policies (Continued)**

**e.    Estimates**

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. Actual results could differ from those estimates.

**f.    Reconciliation of Government-wide and Fund Financial Statements**

Explanation of certain differences between the governmental funds balance sheet and the government-wide statement of net assets:

The governmental funds balance sheet includes a reconciliation between fund balances – governmental funds and net assets of governmental activities as reported in the government-wide statement of net assets. One element of that reconciliation explains that “long-term debt and compensated absences from the general long-term debt account group have not been included in the governmental fund activity”. The detail of the \$ (25,578,737) long-term debt difference is as follows:

Long-term debt:	
Tax allocation notes payable	\$ (25,215,000)
Certificate of participation	(180,000)
Capital leases payable	<u>(222,676)</u>
Net adjustment to reduce fund balances	
of total governmental funds to arrive	
at net assets of governmental activities	<u>\$ (25,617,676)</u>

Explanation of certain differences between the governmental funds statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities:

The governmental funds statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities. One element of that reconciliation explains that “Governmental Funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.”

The details of this \$784,511 difference are as follows:

Capital outlay	\$ 1,883,188
Depreciation expense	<u>(1,098,677)</u>
Net adjustment of decrease net changes in fund balances	
of total governmental funds to arrive at changes in	
net assets of governmental activities	<u>\$ 784,511</u>

**CITY OF IMPERIAL**  
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**Note 1    Summary of Significant Accounting Policies (Continued)**

**f.    Reconciliation of Government-wide and Fund Financial Statements (Continued)**

Another element of that reconciliation states that "the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds". The details of this \$ (763,013) difference are as follows:

Principal repayments:	
Certificate of participation	\$       175,000
Tax allocation notes	450,000
Capital lease payable	<u>138,013</u>
Net adjustment to increase net changes in fund balances	
of total governmental funds to arrive at changes in	
net assets of governmental activities	<u>\$       763,013</u>

**g.    New Accounting Pronouncements**

The City has implemented the requirements of GASB Statement No. 49, No. 52, No. 55, and No. 56 during the fiscal year ended June 30, 2009.

*GASB Statement No. 49 -- Accounting and Financial Reporting for Pollution Remediation Obligations*

This Statement is effective for periods beginning after December 15, 2007. The Statement addresses accounting and financial reporting standards for pollution (including contamination) remediation obligations, which are obligations to address the current or potential detrimental effects of existing pollution by participating in pollution remediation activities such as site assessments and cleanups. The scope of the document excludes pollution prevention or control obligations with respect to current operations, and future pollution remediation activities that are required upon retirement of an asset, such as landfill closure and post-closure care and nuclear power plant decommissioning.

*GASB Statement No. 52 -- Land and Other Real Estate Held as Investments by Endowments*

This Statement is effective for periods beginning after June 15, 2008. The Statement establishes consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. It requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value.

*GASB Statement No. 55 -- The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*

This Statement is effective as of April 2, 2009. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the Governmental Accounting Standards Board's authoritative literature. The "GAAP hierarchy" consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
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**Note 1     Summary of Significant Accounting Policies (Continued)**

**g.    New Accounting Pronouncements (Continued)**

GASB Statement No. 56 – Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements of Auditing Standards

This Statement is effective as of April 16, 2009. The objective of this Statement is to incorporate into the Governmental Accounting Standards Board's (GASB) authoritative literature certain accounting and financial reporting guidance presented in the American Institute of Certified Public Accountants' Statements on Auditing Standards. This Statement addresses three issues not included in the authoritative literature that establishes accounting principles – related party transactions, going concern considerations, and subsequent events. The presentation of principles used in the preparation of financial statements is more appropriately included in accounting and financial reporting standards rather than in the auditing literature.

**Note 2     Stewardship, Compliance, and Accountability**

**a.    General Budget Policies**

1. The annual budget adopted by the City Council provides for the general operation of the City. It includes proposed expenditures and the means of financing them.
2. The City Council approves total budgeted appropriations and any amendments to appropriations throughout the fiscal year. All amendments made during the fiscal year are included in the budgetary amounts reported herein. The "appropriated budget" covers all City expenditures, with the exception of debt service on bond issues and capital improvement projects carried forward from prior fiscal years, which expenditures constitute legally authorized "non-appropriated budget". Actual expenditures may not exceed budgeted appropriations at the fund level, which is the legal level of control.

The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council.

3. Formal budgetary integration is employed as a management control device during the fiscal year. Commitments for materials and services, such as purchase orders and contracts, are recorded as encumbrances to assist in controlling expenditures. Appropriations which are encumbered lapse at fiscal year-end, and then are added to the following fiscal year's budgeted appropriations.
4. Budgets for the General, Special Revenue, and Debt Service Funds are adopted on a basis substantially consistent with accounting principles generally accepted in the United States of America (USGAAP). Accordingly, actual revenues and expenditures can be compared with related budgeted amounts without any significant reconciling items. For the fiscal year ended June 30, 2009, there were no budgets adopted for the following funds: COPS Grant 2004, Imperial County Grants, COPS Grant 2003, Police Donations, Traffic Signal, Library Literacy, COPS Grant 2008, Prop 1B Bond, General Capital Projects, General Debt Services, and Redevelopment Agency Debt Service.

Budget comparisons are not presented for the Proprietary Funds, as the City is not legally required to adopt a budget for these fund types.

5. Capital projects are budgeted through the Capital Projects Funds. Appropriations for capital projects authorized but not constructed or completed during the fiscal year are carried forward as continuing appropriations into the following fiscal year's budget.

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**Note 2    Stewardship, Compliance, and Accountability (Continued)**

**b.    Deficit Fund Balances, Retained Earnings, and Net Assets**

The following funds contained deficit fund balances as of June 30, 2009:

<u>Nonmajor Governmental Funds:</u>	<u>Amount</u>
Special Revenue Funds:	
Dial-A-Ride	\$    39,989
Homeland Security	24,600
CDBG Home Grant	148,467
Traffic Signal	146,236
Aten Clark Traffic	5,585
COPS Grant 2006	43,608
Fire Impact Fees	143,899
Colonias	90,728

The deficit fund balances will be rectified as transportation grants, COPS grants, CDBG grants, and circulation impact fees are received. It is the City's intent that the General fund will cover any deficit fund balances where future excess revenues over expenditures are not sufficient to erase the deficit fund balances.

**c.    Excess Expenditures over Appropriations**

The following are funds in which certain expenditures exceeded appropriations for the fiscal year ended June 30, 2009.

<u>Fund/Function</u>	<u>Final Appropriation</u>	<u>Expenditures</u>	<u>Excess</u>
Major Fund:			
General Fund	\$ 6,624,867	\$ 7,316,905	\$ 692,038
Nonmajor Governmental Funds:			
Local Transportation		30,500	30,500
Dial-A-Ride	71,000	116,065	45,065
CDBG Home Grant		698	698
Library Grant	1,623	2,544	921
Police Impact Fees		1,279	1,279
Admin Impact Fees		1,279	1,279
Circulation Impact Fees		32,292	32,292
Colonias		487,695	487,695

**Note 3    Cash and Investments**

Cash and investments as of June 30, 2009 are classified in the accompanying financial statements as follows:

Statement of net assets:	
Cash and investments	\$        12,878,403
Cash and investments with fiscal agents	21,556,633
Statement of fiduciary net assets:	
Cash and investments with fiscal agents	<u>19,901,395</u>
Total cash and investments	<u>\$        54,336,431</u>

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**Note 3      Cash and Investments (Continued)**

Cash and investments as of June 30, 2009 consist of the following:

Cash on hand	\$	450
Deposits with financial institutions		11,799,226
Investments		<u>42,536,755</u>
Total cash and investments	<u>\$</u>	<u>54,336,431</u>

**A.    Investments Authorized by the California Government Code and the City's Investment Policy**

The table below identifies the investment types that are authorized for the City of Imperial by the California Government Code (or the City's investment policy, where more restrictive). The table also identifies certain provisions of the California Government Code (or the City's investment policy, where more restrictive) that address interest rate risk, credit risk, and concentration of credit risk. This table does not address investments of debt proceeds held by bond trustee that are governed by the provisions of debt agreements of the City, rather than the general provisions of the California government Code or the City's investment policy.

<u>Authorized Investment Type</u>	<u>Maximum Maturity</u>	<u>Maximum Percentage of Portfolio</u>	<u>Maximum Investment in One Issuer</u>
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	None
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	None	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	\$40 million

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

**B.    Investments Authorized by Debt Agreements**

Investment of debt proceeds held by bond trustees are governed by provisions of the debt agreements, rather than the general provisions of the California Government Code or the City's investment policy. The table below identifies the Investment types that are authorized for investments held by bond trustees. The table also identifies certain provisions of these debt agreements that address interest rate risk, credit risk, and concentration of credit risk.

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**Note 3      Cash and Investments (Continued)**

**B.    Investments Authorized by Debt Agreements (Continued)**

Authorized Investment Type	Maximum Maturity	Maximum Percentage of Portfolio	Maximum Investment in One Issuer
Local Agency Bonds	5 years	None	None
U.S. Treasury Obligations	5 years	None	None
State of California Obligations	5 years	None	None
California Local Agency Obligations	5 years	None	None
U.S. Government Agency Issues	5 years	None	None
Bankers Acceptances	180 days	40%	None
Commercial Paper	270 days	25%	None
Certificates of Deposit	5 years	30%	None
Repurchase Agreements	1 year	None	None
Reverse Repurchase Agreements & Securities Lending Agreements	92 days	20%	None
Medium-Term Notes	5 years	30%	None
Mutual Funds	N/A	20%	None
Money Market Mutual Funds	N/A	None	None
Collateralized Bank Deposits	5 years	None	None
Mortgage Pass-Through Securities	5 years	20%	None
Time Deposits	5 years	None	None
County Pooled Investment Fund	N/A	None	None
Local Agency Investment Fund (LAIF)	N/A	None	None

The investment policy allows for the above investments which have equal safety and liquidity as all other allowed investments. Maturity depends on the cash needs of the City.

**C.    Disclosures Relating to Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. One of the ways that the City manages its exposure to interest rate risk is by purchasing a combination of shorter term and longer term investments and by timing cash flows from maturities so that a portion of the portfolio is maturing or coming close to maturity evenly over time as necessary to provide the cash flow and liquidity needed for operations.

Information about the sensitivity of the fair values of the City's investments (including investments held by bond trustee) to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Totals	Remaining maturity (in Months)			
		12 Months or Less	13 to 24 Months	25-60 Months	More Than 60 Months
State Investment Pool (LAIF)	\$ 5,845,056	\$ 5,845,056	\$ -	\$ -	\$ -
Held by Bond Trustees:					
Money Market Funds	36,689,693	36,589,693			
Federal Agency Securities	102,006	102,006			
	<u>\$ 42,636,755</u>	<u>\$ 42,536,755</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 3     Cash and Investments (Continued)**

**D.    Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations**

The City has no investments (including investments held by bond trustees) that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above).

**E.    Disclosures Relating to Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the California Government Code, the City's investment policy, or debt agreements, and the actual rating as of fiscal year end for each investment type.

Investment Type	Amount	Minimum Legal Rating	Exempt From Disclosure	Rating as of Fiscal Year End			
				AAA	AA	A	Not Rated
State Investment Pool (LAIF)	\$ 5,845,056	N/A	\$ -	\$ -	\$ -	\$ -	\$ 5,845,056
Held by Bond Trustee:							
Money Market Funds	36,689,693	N/A		36,689,693			
Federal Agency Securities	102,006	N/A		102,006			
Total	<u>\$ 42,636,755</u>		<u>\$ -</u>	<u>\$ 36,791,699</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,845,056</u>

**F.    Concentration of Credit Risk**

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer beyond that stipulated by the California Government Code. The City holds one investment (other than money market funds and LAIF) that represents 5% or more of total City investment in the form of a certificate of deposit with Union Bank of California in the amount of \$4,766,329.

**G.    Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g. broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and the City's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits; The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the government unit). The fair value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure City deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 3     Cash and Investments (Continued)**

As of June 30, 2009, \$11,340,429 of the City's deposits with financial institutions in excess of federal depository insurance limits were held in collateralized accounts. As of June 30, 2009, City investments in the following investment types were held by the same broker-dealer (counterparty) that was used by the City to buy the securities:

<u>Investment Type</u>	<u>Amount</u>
Federal agency securities	\$     102,006
Money market funds	36,689,693

Investment in State Investment Pool

The City is a voluntary participant in the Local Agency Investment Fund (LAIF) that is regulated by the California Government Code under the oversight of the Treasurer of the State of California. The fair value of the City's investment in this pool is reported in the accompanying financial statements at amounts based upon the City's pro-rata share of the fair value provided by LAIF for the entire LAIF portfolio (in relation to the amortized cost of that portfolio). The balance available for withdrawal is based on the accounting records maintained by LAIF, which are recorded on an amortized cost basis.

**Note 4     Notes Receivable**

Notes receivable in the amount of \$1,519,317 consist of mortgage loans for housing and property rehabilitation and construction. These are all deferred loans which carry no interest rates. Principal balances are due when titles of property are transferred.

**Note 5     Accounts Receivable**

Accounts, taxes, interests, grants and other receivable balances of the General, Special Revenue, Capital Projects, Debt Service, and Fiduciary Funds are stated net of allowances for uncollectible accounts. Uncollectible accounts are not set up for Proprietary Funds because the balances for receivables over 90 days (the period the City uses as a risk of becoming uncollectible) are immaterial. The following is a schedule of receivables applicable at June 30, 2009.

	<u>Receivable</u>	<u>Allowance</u>	<u>Net</u>
Governmental Activities -			
Accounts	\$   739,779	\$           -	\$   739,779
Business-type Activities -			
Accounts	\$   887,916	\$           -	\$   887,916



**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 6 Interfund Transactions**

**A. Current Interfund Balances**

Current interfund balances arise in the normal course of business and are expected to be repaid shortly after the end of the fiscal year. The following presents a summary of current interfund balances at June 30, 2009.

Receivable Fund	Amount	Payable Fund	Amount
Major Governmental Funds:		Major Governmental Funds:	
General	\$ 798,612	Redevelopment Agency	
Redevelopment Agency		Capital Projects	\$ 4,051,260
Housing Special Revenue	471,459		
Redevelopment Agency		Nonmajor Governmental Funds:	
Debt Service	3,579,801	Dial-A-Ride	39,989
		Homeland Security	24,600
		CDBG Home Grant	148,467
		Traffic Signal	146,236
		Aten Clark Traffic	5,585
		COPS Grant 2006	43,608
		Fire Impact Fees	143,899
		Colonias	246,228
Totals	<u>\$ 4,849,872</u>		<u>\$ 4,849,872</u>

**B. Transfers Between Funds**

With Council approval, resources may be transferred from one City fund to another. The purpose of the majority of transfers is to reimburse a fund that has made an expenditure/expenses on behalf of another fund, less often, an equity transfer may be made to open or close a fund. Transfers totaled \$2,173,722 in the fund financial statements.

Fund	Transfers in	Transfers out
Major Governmental Funds:		
General	\$ 965,861	\$ 186,828
RDA Housing Special Revenue		550,826
RDA Debt Service	320,826	
RDA Capital Projects		120,000
Nonmajor Governmental Funds:		
Traffic Congestion Relief		51,586
Traffic Safety		19,467
Gas Tax		251,395
Public Safety		59,000
COPS Grant 2003	100,000	67,734
Local Transportation		5,000
COPS Grant 2005		6,207
COPS Grant 2006	6,207	
COPS Grant 2008		158,334
Imperial County Grants		22,472
RLA Grants		37,280
Circulation Impact Fees		364,000
Wildflower Landscape Lighting		38,500
Paseo Del Sol		38,500
Colonias	594,000	
Sky Ranch District		60,000
General Capital Projects		44,092
General Debt Service	186,828	92,501
Totals	<u>\$ 2,173,722</u>	<u>\$ 2,173,722</u>

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 7 Capital Assets**

**a. Governmental Activities**

Capital asset governmental activity for the fiscal year ended June 30, 2009 was as follows:

	Balance at July 1, 2008	Additions	Disposals	Balance at June 30, 2009
<b>Capital Assets, being depreciated:</b>				
Equipment and machinery	\$ 3,985,200	\$ 146,362	\$ -	\$ 4,131,562
Infrastructure	18,658,520	1,736,826		20,395,346
Total	<u>22,643,720</u>	<u>1,883,188</u>		<u>24,526,908</u>
 Less accumulated depreciation for:				
Equipment and machinery	(1,441,376)	(370,398)		(1,811,774)
Infrastructure	(5,660,358)	(728,279)		(6,388,637)
Total	<u>(7,101,734)</u>	<u>(1,098,677)</u>		<u>(8,200,411)</u>
 <b>Total Capital Assets, Net</b>	 <u>\$ 15,541,986</u>	 <u>\$ 784,511</u>	 <u>\$ -</u>	 <u>\$ 16,326,497</u>

Depreciation expense was charged to functions/programs of the City's governmental activities as follows:

Unallocated	\$ 1,098,677
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**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 7 Capital Assets (Continued)**

**b. Business-type activities**

Capital asset business-type activity for the fiscal year ended June 30, 2009 was as follows:

	Balance at July 1, 2008	Additions	Deletions	Balance at June 30, 2009
<b>Water Fund:</b>				
Capital assets, being depreciated:				
Infrastructure	\$ 9,805,226	\$ 113,729	\$ (825,434)	\$ 9,093,521
Buildings and improvements	10,344,831			10,344,831
Equipment and machinery	102,713			102,713
Total	<u>20,252,770</u>	<u>113,729</u>	<u>(825,434)</u>	<u>19,541,065</u>
Less accumulated depreciation for:				
Infrastructure	(2,362,986)	(363,732)	\$ 33,017	(2,693,701)
Buildings and improvements	(4,149,810)	(356,719)		(4,506,529)
Equipment and machinery	(83,208)	(8,623)		(91,831)
Total	<u>(6,596,004)</u>	<u>(729,074)</u>	<u>33,017</u>	<u>(7,292,061)</u>
<b>Water Fund Capital Assets, net</b>	<u>\$ 13,656,766</u>	<u>\$ (615,345)</u>	<u>\$ (792,417)</u>	<u>\$ 12,249,004</u>
<b>Wastewater Fund:</b>				
Capital assets, not being depreciated:				
Land	\$ 79,683	\$ -	\$ -	\$ 79,683
Total	<u>79,683</u>			<u>79,683</u>
Capital assets, being depreciated:				
Infrastructure	9,135,729	179,167		9,314,896
Buildings and improvements	7,578,571			7,578,571
Equipment and machinery	164,977			164,977
Total	<u>16,879,277</u>	<u>179,167</u>		<u>17,058,444</u>
Less accumulated depreciation for:				
Infrastructure	(2,070,885)	(372,596)		(2,443,481)
Buildings and improvements	(2,950,379)	(261,330)		(3,211,709)
Equipment and machinery	(131,853)	(16,465)		(148,318)
Total	<u>(5,153,117)</u>	<u>(650,391)</u>		<u>(5,803,508)</u>
<b>Wastewater Fund Capital Assets, net</b>	<u>\$ 11,805,843</u>	<u>\$ (471,224)</u>	<u>\$ -</u>	<u>\$ 11,334,619</u>
<b>Total Capital Assets, net</b>	<u>\$ 25,462,609</u>	<u>\$ (1,086,569)</u>	<u>\$ (792,417)</u>	<u>\$ 23,583,623</u>

Depreciation expense was charged to functions/programs of the City's business-type activities as follows:

<b>Business-type Activities:</b>	
Water	\$ 696,057
Wastewater	650,391
Total	<u>\$ 1,346,448</u>

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8 Long-Term Liabilities**

- a. The following is a summary of changes in the City's long-term liabilities for the fiscal year ended June 30, 2009:

	Balance at July 1, 2008	Additions	Repayments	Balance at June 30, 2009	Due Within One Year
<b>Governmental Activities:</b>					
Capital leases payable	\$ 360,689	\$ -	\$ (138,013)	\$ 222,676	\$ 113,433
Compensated absences	448,069		(215,484)	232,585	23,259
2002 Certificates of participation	355,000		(175,000)	180,000	180,000
2005 RDA tax allocation notes	8,730,000		(165,000)	8,565,000	165,000
2008 RDA tax allocation notes	16,935,000		(285,000)	16,650,000	295,000
Deferred loss on refunding	(269,021)		78,738	(190,283)	(78,738)
Original issue discount	(84,099)		2,858	(81,241)	(2,858)
Total	<u>\$ 26,475,638</u>	<u>\$ -</u>	<u>\$ (896,901)</u>	<u>\$ 25,578,737</u>	<u>\$ 695,096</u>
<b>Business-type Activities:</b>					
<b>Water Fund:</b>					
Compensated absences	\$ 62,053	\$ -	\$ (15,678)	\$ 46,375	\$ 4,638
2001 Certificates of participation	9,195,000		(475,000)	8,720,000	490,000
2005 Certificates of participation	2,075,000		(40,000)	2,035,000	40,000
<b>Wastewater Fund:</b>					
Compensated absences	6,685	15,097		21,782	
2001 Certificates of participation	6,330,000		(320,000)	6,010,000	325,000
2005 Certificates of participation	2,735,000		(55,000)	2,680,000	55,000
Total	<u>\$ 20,403,738</u>	<u>\$ 15,097</u>	<u>\$ (905,678)</u>	<u>\$ 19,513,157</u>	<u>\$ 914,638</u>

**b. Governmental Activities**

**Certificates of Participation 2002**

On July 26, 2002, the City issued \$925,000 of Certificates of Participation dated August 1, 2002. A portion of the proceeds was used to finance certain capital improvements, including rehabilitation to the City Library, the construction of and equipping of a youth learning center, and related library and community center improvements. The 2002 certificates have a stated interest rate of 2.8% to 4.1% and are payable over eight years. The balance of the proceeds have been placed in a fiscal agent account to be drawn on as the various related capital projects progress. As of June 30, 2009, the outstanding principal balance is \$180,000.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8      Long-Term Liabilities (Continued)**

**b.    Governmental Activities (Continued)**

**2005 RDA Tax Allocation Notes**

On December 1, 2005, the Redevelopment Agency of the City of Imperial (the "Agency") issued \$9,055,000 of 2005 Tax Allocation Notes. The proceeds from the issue were used to (i) refund all of the Agency's outstanding 2002 Tax Allocation Notes; (ii) fund a reserve fund for the Notes; (iii) fund two years of interest on the Notes, and (iv) pay the costs of issuing the Notes. Interest is payable semi-annually every June 1 and December 1 of each year, commencing June 1, 2006 and maturing on June 1, 2037. The Notes bear interest varying from 3.000% to 4.500%. As of June 30, 2009, the outstanding principal balance is \$8,565,000.

**2008 RDA Tax Allocation Notes**

On November 17, 2007, the Redevelopment Agency of the City of Imperial issued \$16,935,000 of 2008 Tax Allocation Notes. The proceeds from the issue were used to refund the 2006 Tax Allocation Notes, finance certain redevelopment activities of benefit to the Agency's project area, fund a reserve account, pay capitalized interest on the notes commencing June 1, 2008, and pay the costs of issuing the notes. The notes bear interest at an annual rate of 4.50%. The notes mature on December 1, 2037. The notes are payable from and secured by Pledged Revenues. The outstanding principal balance as of June 30, 2009 was \$16,650,000.

**c.    Governmental Activities – Capital Leases Payable**

In August 2004, the City entered into an agreement to purchase a street sweeper with the issuance of a note for \$150,803. The City will make five annual payments of \$32,228 each with accrued interest at 4.96% per annum. In August 2005, the City purchased a second street sweeper with the issuance of a note for \$159,583. The City shall make five annual payments of \$35,009 each with accrued interest at 4.85% per annum. In August 2006, the City entered into an agreement to purchase a Roots Blower with the issuance of a note for \$243,515. The City will make seven annual payments of \$40,198 each with accrued interest at 5.11% per annum.

In August 2007, the City entered into an agreement to lease six municipal vehicles from GMAC with the issuance of a note for \$141,530. The City shall make three annual payments of \$50,289 each with accrued interest at 6.75% per annum.

The total principal amount due for the City's capital leases as of June 30, 2009 is \$222,676.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8 Long-Term Liabilities (Continued)**

**d. Long-Term Debt Amortization – Governmental Activities**

The annual requirements to amortize long-term debt outstanding at June 30, 2009 (other than compensated absences) are as follows:

Fiscal Year Ended June 30,	Capital leases payable		
	Principal	Interest	Total
2010	\$ 113,433	\$ 12,064	\$ 125,497
2011	34,615	5,583	40,198
2012	36,384	3,814	40,198
2013	38,244	1,954	40,198
	<u>\$ 222,676</u>	<u>\$ 23,415</u>	<u>\$ 246,091</u>

Fiscal Year Ended June 30,	2002 Series - Certificates of Participation		
	Principal	Interest	Total
2010	\$ 180,000	\$ 3,690	\$ 183,690
	<u>\$ 180,000</u>	<u>\$ 3,690</u>	<u>\$ 183,690</u>

Fiscal Year Ended June 30,	2005 - Tax Allocation Notes		
	Principal	Interest	Total
2010	\$ 165,000	\$ 380,763	\$ 545,763
2011	170,000	374,888	544,888
2012	180,000	367,888	547,888
2013	185,000	361,051	546,051
2014	195,000	353,426	548,426
2015-2019	1,090,000	1,639,019	2,729,019
2020-2024	1,340,000	1,383,567	2,723,567
2025-2029	1,655,000	1,053,431	2,708,431
2030-2034	2,080,000	621,806	2,701,806
2035-2037	1,505,000	111,572	1,616,572
	<u>\$ 8,565,000</u>	<u>\$ 6,647,411</u>	<u>\$ 15,212,411</u>

Fiscal Year Ended June 30,	2008 - Tax Allocation Notes		
	Principal	Interest	Total
2010	\$ 295,000	\$ 762,715	\$ 1,057,715
2011	310,000	750,915	1,060,915
2012	320,000	738,515	1,058,515
2013	335,000	725,715	1,060,715
2014	345,000	712,315	1,057,315
2015-2019	1,925,000	3,360,775	5,285,775
2020-2024	2,340,000	2,952,720	5,292,720
2025-2029	2,905,000	2,391,524	5,296,524
2030-2034	3,675,000	1,619,250	5,294,250
2035-2038	4,200,000	577,500	4,777,500
	<u>\$ 16,650,000</u>	<u>\$ 14,591,944</u>	<u>\$ 31,241,944</u>

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8 Long-Term Liabilities (Continued)**

**d. Long-Term Debt Amortization – Governmental Activities (Continued)**

Fiscal Year Ended June 30,	Total Governmental Long Term Debt		
	Principal	Interest	Total
2010	\$ 753,433	\$ 1,159,232	\$ 1,912,665
2011	514,615	1,131,386	1,646,001
2012	536,384	1,110,217	1,646,601
2013	558,244	1,088,720	1,646,964
2014	540,000	1,065,741	1,605,741
2015-2019	3,015,000	4,999,794	8,014,794
2020-2024	3,680,000	4,336,287	8,016,287
2025-2029	4,560,000	3,444,955	8,004,955
2030-2034	5,755,000	2,241,056	7,996,056
2035-2038	5,705,000	689,072	6,394,072
	<u>\$ 25,617,676</u>	<u>\$ 21,266,460</u>	<u>\$ 46,884,136</u>

**e. Business -type Activities**

**Water/Wastewater Refunding**

On July 31, 2001, the City issued refunding certificates of participation (water facility), Series 2003, in the amount of \$11,195,00 and refunding certificates of participation (wastewater treatment facility), series 2003, in the amount of \$7,875,000. A portion of the proceeds of the bonds have been applied to refund all of the outstanding amounts, \$17,330,000 of the certificates of participation for the water facility and wastewater treatment facility, series 1996A and 1996B respectively.

Interest on the certificates is payable semi-annually beginning October 15, 2001. Principal payments are due annually beginning October 15, 2001. As of June 30, 2009, the balances remaining for the Water and Wastewater Refunding are \$8,720,000, and \$6,010,000 respectively.

**Water/Wastewater Parity 2005 COP**

On November 1, 2005, the City issued the Parity 2005 certificates of participation in the amount of \$2,160,000 for the water facility and \$2,845,000 for the wastewater facility. The proceeds were used to finance certain capital improvements to the City's water and wastewater systems. Interest will be payable semi-annually on April and October 15 commencing on April 15, 2006. As of June 30, 2009, the balances remaining for Water and Wastewater Refunding are \$2,035,000, and \$2,680,000 respectively.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8 Long-Term Liabilities (Continued)**

**f. Business-type Long-Term Debt Amortization**

The annual requirements to amortize Business-type long-term debt outstanding at June 30, 2009 are as follows:

Fiscal Year Ending June 30,	2001 Certificates of Participation (Water)		
	Principal	Interest	Total
2010	\$ 490,000	\$ 409,560	\$ 899,560
2011	510,000	389,427	899,427
2012	530,000	367,710	897,710
2013	555,000	344,099	899,099
2014	580,000	317,250	897,250
2015-2019	3,345,000	1,111,875	4,456,875
2020-2021	2,710,000	164,500	2,874,500
	<u>\$ 8,720,000</u>	<u>\$ 3,104,421</u>	<u>\$ 11,824,421</u>

Fiscal Year Ending June 30,	2001 Certificates of Participation (Wastewater)		
	Principal	Interest	Total
2010	\$ 325,000	\$ 282,949	\$ 607,949
2011	340,000	269,560	609,560
2012	350,000	255,153	605,153
2013	370,000	239,483	609,483
2014	400,000	221,250	621,250
2015-2019	2,330,000	777,000	3,107,000
2020-2021	1,895,000	115,125	2,010,125
	<u>\$ 6,010,000</u>	<u>\$ 2,160,520</u>	<u>\$ 8,170,520</u>

Fiscal Year Ending June 30,	2005 Certificates of Participation (Water)		
	Principal	Interest	Total
2010	\$ 40,000	\$ 92,060	\$ 132,060
2011	45,000	90,460	135,460
2012	45,000	88,660	133,660
2013	45,000	86,860	131,860
2014	50,000	85,060	135,060
2015-2019	275,000	394,031	669,031
2020-2024	335,000	331,456	666,456
2025-2029	425,000	246,907	671,907
2030-2034	525,000	136,563	661,563
2035-2036	250,000	18,050	268,050
	<u>\$ 2,035,000</u>	<u>\$ 1,570,107</u>	<u>\$ 3,605,107</u>



**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 8 Long-Term Liabilities (Continued)**

**f. Business-type Long-Term Debt Amortization (Continued)**

Fiscal Year Ending June 30,	2005 Certificates of Participation (Wastewater)		
	Principal	Interest	Total
2010	\$ 55,000	\$ 121,253	\$ 176,253
2011	55,000	119,054	174,054
2012	60,000	116,854	176,854
2013	60,000	114,453	174,453
2014	65,000	112,054	177,054
2015-2019	360,000	519,775	879,775
2020-2024	445,000	436,645	881,645
2025-2029	550,000	325,250	875,250
2030-2034	700,000	181,450	881,450
2035-2036	330,000	23,750	353,750
	<u>\$ 2,680,000</u>	<u>\$ 2,070,538</u>	<u>\$ 4,750,538</u>

  

Fiscal Year Ending June 30,	Total Business-type Funds Long Term Debt		
	Principal	Interest	Total
2010	\$ 910,000	\$ 905,822	\$ 1,815,822
2011	950,000	868,501	1,818,501
2012	985,000	828,377	1,813,377
2013	1,030,000	784,895	1,814,895
2014	1,095,000	735,614	1,830,614
2015-2019	6,310,000	2,802,681	9,112,681
2020-2024	5,385,000	1,047,726	6,432,726
2025-2029	975,000	572,157	1,547,157
2030-2034	1,225,000	318,013	1,543,013
2035-2036	580,000	41,800	621,800
	<u>\$ 19,445,000</u>	<u>\$ 8,905,586</u>	<u>\$ 28,350,586</u>

**Note 9 Defined Benefit Pension Plan**

**Plan Description**

The City of Imperial contributes to the California Public Employees' Retirement System (PERS), an agent multiple-employer public employee defined benefit pension plan. PERS provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Benefit provisions and all other requirements are established by state statute and city ordinance. Copies of PERS' annual financial report may be obtained from its Executive Office, 400 "P" Street, Sacramento, CA 95814.

**Funding Policy**

Participants are required to contribute 7% of their annual covered salary. The City makes the contributions required of city employees on their behalf and for their account. The City is required to contribute at an actuarially determined rate; the current rate is 21.228% for non-safety employees and 23.026% for safety employees, of annual covered payroll. The contribution requirements of plan members and the City are established and may be amended by PERS.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 9 Defined Benefit Pension Plan (Continued)**

**Annual Pension Cost**

For 2009, the City's annual pension cost of \$581,350 for PERS was equal to the City's required and actual contributions. The required contribution was determined as part of the June 30, 2006, actuarial valuation using the entry age normal actuarial cost method. The actuarial assumptions included (a) 7.75% investment rate of return (net administrative expenses), (b) projected annual salary increases that vary by duration of service, and (c) 3.25% per year cost-of-living adjustments. Both (a) and (b) included an inflation component of 3.00%. The actuarial value of PERS assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a three-year period (smoothed market value). PERS unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at June 30, 2009 was 10 years.

**THREE-YEAR TREND INFORMATION FOR PERS**

<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>APC Contributed</u>	<u>Annual Pension Obligation</u>
2007	\$ 472,132	100%	\$ -
2008	\$ 572,426	100%	\$ -
2009	\$ 581,350	100%	\$ -

**Note 10 Deferred Compensation**

The City has established a Deferred Compensation Plan and Trust as provided in Section 457 of the Internal Revenue Code of 1986, as amended. The City, acting as trustee of this plan, has agreed to perform its services as trustee in accordance with, and as necessary limited to comply with, applicable law. All amounts of compensation deferred pursuant to the plan, all property and rights purchased with such amounts, and all income attributable to such amounts, property or rights shall be held in trust for the exclusive benefit of participants and beneficiaries under the plan.

**Note 11 Risk Management**

The City is exposed to risks of loss in the areas of health care, general and auto liability, property hazards and workers' compensation. All of these risks are handled by purchasing commercial insurance coverage. There have been no significant reductions in the insurance coverage during the year. The City has had no settlements which exceeded insurance coverage in the last three fiscal years.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 12 Net Assets and Fund Balances**

GASB Statement No. 34 adds the concept of Net Assets, which is measured on the full accrual basis, to the concept of Fund Balance, which is measured on the modified accrual basis.

**a. Net Assets**

Net assets are divided into three captions under GASB Statement No. 34. These captions apply only to net assets as determined at the government-wide level, and are described below:

*Invested in Capital Assets, net of related debt* describes the portion of net assets which is represented by the current net book value of the City's capital assets, less the outstanding balance of any debt issued to finance these assets.

*Restricted* describes the portion of net assets which is restricted as to use by the terms and conditions of agreements with outside parties, governmental regulations, laws, or other restrictions which the City cannot unilaterally alter. These principally include debt service requirements, and redevelopment funds restricted to low and moderate income housing purposes.

*Unrestricted* describes the portion of net assets which is not restricted as to use.

**b. Fund Balances**

Fund Balances consist of reserved and unreserved amounts. Reserved fund balances represent that portion of fund balance which is legally segregated.

**Note 13 Contingent Liabilities**

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the government expects such amounts, if any, to be immaterial.

The City is subject to various lawsuits and claims involving public liability and other actions incidental to the ordinary course of City operations. In the aggregate, those claims seek monetary damages in significant amounts. To the extent the outcome of such litigation may be determined to result in financial loss to the City, in the opinion of City management, any potential liability for these actions is adequately provided for in the basic financial statements. The timing of potential payment of such losses cannot presently be determined.

**CITY OF IMPERIAL**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2009**

**Note 14   Prior Period Adjustments**

A prior period adjustment in the amount of \$(75,775) was made in the general fund and statement of activities to reflect an understatement of deposits payable in the prior year.

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## **Required Supplementary Information**

**CITY OF IMPERIAL**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Revenues:				
Taxes and assessments	\$ 3,282,250	\$ 3,282,250	\$ 3,290,245	\$ 7,995
Licenses and permits	109,300	109,300	260,494	151,194
Intergovernmental	919,100	919,100	1,393,325	474,225
Charges for services	1,107,855	1,107,855	1,123,060	15,205
Fines and forfeitures	93,500	93,500	186,461	92,961
Use of money and property	100,000	100,000	59,640	(40,360)
Miscellaneous	130,000	130,000	24,571	(105,429)
Total Revenues	5,742,005	5,742,005	6,337,796	595,791
Expenditures:				
General government:				
City council	42,914	42,914	40,747	2,167
City clerk	77,522	77,522	66,205	11,317
City attorney	170,000	170,000	163,743	6,257
City manager	116,496	116,496	110,422	6,074
Code enforcement	72,088	72,088	73,832	(1,744)
Administrative services	957,870	957,870	140,387	817,483
Finance	290,558	290,558	253,565	36,993
Non-departmental			1,206,172	(1,206,172)
Total general government	1,727,448	1,727,448	2,055,073	(327,625)
Community Development				
Community development	66,802	66,802	51,626	15,176
Engineering/administration	2,500	2,500	3,876	(1,376)
Planning	209,203	209,203	332,713	(123,510)
Building and safety	20,450	20,450	73,729	(53,279)
Total community development	298,955	298,955	461,944	(162,989)
Public safety:				
Police services	2,158,510	2,158,510	2,288,057	(129,547)
Fire control	777,676	777,676	707,694	69,982
Total public safety	2,936,186	2,936,186	2,995,751	(59,565)

(Continued)

**CITY OF IMPERIAL**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**GENERAL FUND**

**For the Fiscal Year Ended June 30, 2009**

(Continued)

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget - Positive (Negative)
Expenditures:				
Public works:				
Animal control	\$ 5,335	\$ 5,335	\$ 5,147	\$ 188
Public works management	96,633	96,633	125,467	(28,834)
Streets & sidewalk maintenance	307,482	307,482	293,153	14,329
Sanitation	558,800	558,800	691,068	(132,268)
Total public works	968,250	968,250	1,114,835	(146,585)
Parks and recreation:				
Parks & recreation management	338,782	338,782	358,168	(19,386)
Parks & recreation	40,200	40,200	127,448	(87,248)
Pool	27,722	27,722	29,240	(1,518)
Total parks and recreation	406,704	406,704	514,856	(108,152)
Library:				
Library	287,324	287,324	160,935	126,389
Total library	287,324	287,324	160,935	126,389
Capital outlay			13,511	(13,511)
Total Expenditures	6,624,867	6,624,867	7,316,905	(692,038)
Excess of Revenues Over (Under)				
Expenditures	(882,862)	(882,862)	(979,109)	(96,247)
Other Financing Sources (Uses):				
Transfers in	740,000	740,000	965,861	225,861
Transfers out			(186,828)	(186,828)
Total Other Financing Sources (Uses)	740,000	740,000	779,033	39,033
Net Changes in Fund Balance	(142,862)	(142,862)	(200,076)	(57,214)
Fund balance, beginning of fiscal year	2,079,712	2,079,712	2,079,712	
Prior period adjustments			(75,775)	(75,775)
Fund balance, beginning of fiscal year, restated	2,079,712	2,079,712	2,003,937	(75,775)
Fund balance, end of fiscal year	\$ 1,936,850	\$ 1,936,850	\$ 1,803,861	\$ (132,989)



**CITY OF IMPERIAL**  
**SCHEDULE OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**REDEVELOPMENT AGENCY HOUSING SPECIAL REVENUE FUND**  
**For the Fiscal Year Ended June 30, 2009**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Taxes and assessments	\$ 424,184	\$ 424,184	\$ 599,192	\$ 175,008
Use of money and property	90,000	90,000	40,540	(49,460)
Total Revenues	514,184	514,184	639,732	125,548
Expenditures:				
Current:				
Community development	13,500	13,500	5,682	7,818
Capital outlay	75,000	75,000		75,000
Total Expenditures	88,500	88,500	5,682	82,818
Excess of Revenues Over (Under) Expenditures	425,684	425,684	634,050	208,366
Other Financing Sources (Uses):				
Transfers out			(550,826)	(550,826)
Total Other Financing Sources (Uses)			(550,826)	(550,826)
Net Change in Fund Balance	425,684	425,684	83,224	(342,460)
Fund Balance, Beginning of Fiscal Year	5,388,051	5,388,051	5,388,051	
Fund Balance, End of Fiscal Year	<u>\$ 5,813,735</u>	<u>\$ 5,813,735</u>	<u>\$ 5,471,275</u>	<u>\$ (342,460)</u>

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